

Frequently Asked Questions (FAQs)

on Bank Indonesia Circular Letter Number 10/40/DPM dated November 17, 2008, concerning amendment to Bank Indonesia Circular Letter Number 10/16/DPM dated March 31, 2008, concerning Procedures of the Issuance of Bank Indonesia Sharia Certificate (SBIS) through Auction

Q. What are the characteristics of SBIS?

A. The SBIS characteristics are as follows.

- in a unit price of Rp1,000,000.00 (one million rupiah);
- with a minimum tenor of 1 (one) month and a maximum tenor of 12 (twelve) months;
- issued without paper (scripless) ;
- may be collateralized to Bank Indonesia; and
- non-tradable in secondary markets.

Q. How is the SBIS issued?

A. The SBIS is issued by auction mechanism.

Q. When does the SBIS auction window time open?

A. The SBIS auction window time opens from 10.00 a.m. up to 12.00 p.m. (western Indonesia standard time) or on another business day and window time to be stipulated further by Bank Indonesia.

Q. Who may participate in the SBIS auction?

A. SBIS auction participants comprise Sharia Commercial Banks (BUS), Sharia Business Unit (UUS), and brokers acting for and on behalf of BUS or UUS with a Financing to Deposit Ratio (FDR) of no less than 80%, based on Bank Indonesia's calculation and are not being under imposition of any sanction of temporary termination to participate in SBIS auction.

Q. How if the FDR data have not been available, especially for BUS originating from a change of business activities (BUS resulting from conversion of conventional bank) ?

A. If the FDR data has not been available, Bank Indonesia will employ the Loan to Deposit Ratio (LDR) data of the conventional commercial bank prior to the change of business activities to BUS.

Q. How ...

Q. How much is the minimum bid for quantity in the SBIS auction?

- A. The minimum bid for quantity of SBIS auction participant is 1,000 (one thousand) units or Rp1,000,000,000.00 (one billion rupiah) and the remainder is in a multiple of 100 (one hundred) units or Rp100,000,000.00 (one hundred million rupiah).

Q. How is the determination of SBIS auction winner and when will it be announced?

- A. Bank Indonesia determines the quantity of SBIS auction winner based on the number of bids for quantity received or based on calculation of quantity on proportional basis. SBIS auction results will be announced after the SBIS auction window time is closed, individually to auction winners through the BI-SSSS and as a whole through the BI-SSSS and the LHBU System

Q. Is there any returns for issued SBIS and how is it calculated?

- A. Yes, SBIS holders will receive returns for any issued SBIS with calculation :

$$\text{SBIS Returns} = \text{SBIS nominal value} \times (\text{SBIS maturity} / 360) \times \text{rate of returns of SBIS},$$

where the rate of SBIS returns refers to the discount rate resulting from the auction of SBI with the same maturity and issued simultaneously with the issuance of the SBIS.

If the SBIS auction applies a Fixed Rate Tender method, the rate of SBIS returns will be stipulated the same as the discount rate resulting from the SBI auction. If the SBI auction applies a Variable Rate Tender method, the rate of SBIS returns will be stipulated the same as the weighted average of discount rate resulting from the SBI auction

Q. When will SBIS auction results be settled and how is the mechanism?

- A. The SBIS auction results will be settled on the same day as the day of the auction (same day settlement) by debiting demand deposit account of the auction winner in purpose of fund settlement and crediting securities account of the auction winner for securities settlement

Q. When will SBIS redemption be conducted and how is the mechanism?

- A. SBIS redemption will be conducted by Bank Indonesia on the maturity date of SBIS by crediting demand deposit account at the amount of SBIS nominal value added with returns in purpose of fund settlement and debiting securities account at the

amount ...

amount of mature SBIS nominal value for securities settlement

Q. In what cases will a BUS or UUS be imposed sanctions?

- A. Any BUS or UUS will be imposed sanctions on cancellation of SBIS auction results due to an inadequacy of balance in its demand deposit account for the settlement of the whole liabilities in fund settlement of SBIS auction results up to the BI-RTGS System cut off warning.

Q. In what forms will the sanctions be imposed?

- A. The sanctions will be imposed in the form of written warning and financial penalty of 1‰ (one per thousand) of the nominal value of the cancelled SBIS with a maximum amount of Rp1,000,000,000.00 (one billion rupiah) for each cancelled SBIS transaction. If SBIS transaction by a BUS or UUS is cancelled for three times within 6 (six) months, in addition to such sanctions, the BUS or UUS will also be imposed sanctions in the form of :
- temporary termination for participation in SBIS auction of the following week; and
 - prohibition of proposition for Repo SBIS for 5 (five) consecutive business days as of the imposition of the third written warning on the BUS or UUS.

DPM